

ESSENTIAL AIR SERVICE AT *Ironwood, Michigan / Ashland, Wisconsin*

UNDER 49 U.S.C. § 41731 ET SEQ.
BY ORDER 2021-6-2 | DOT-OST-1996-1266

Proposal to Provide Subsidized Essential Air Service

By Order 2021-6-2, the Department requested proposals from carriers interested in providing Essential Air Service to Ironwood, Michigan / Ashland, Wisconsin. Pursuant to that Order, Southern Airways Express LLC ("Southern") cordially submits this proposal.

Correspondence with regard to this document should be addressed to:

Stan Little
CHAIRMAN & CEO

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Palm Beach, Florida 33480

(901) 672-7820
iFlySouthern.com

America's Most Reliable Commuter Airline

SOUTHERN



Southern Airways Express hereby offers a proposal to become the air service provider at the Gogebic-Iron County Airport. The proposal is for a period of two years.

The Southern Story

In less than eight years, Southern Airways Express has become one of the largest commuter airlines in America and a leader in the field of Essential Air Service. Of the nearly 200 daily flights operated by Southern, almost half are contracted through the Essential Air Service program. Much of Southern's success can be attributed to targeted expansion to gain scale and stability, industry-leading initiatives to permanently solve the pilot shortage facing rural communities, and the operation of the most reliable model of 9-seat aircraft in existence. However, it is the close partnerships developed through years of community networking and engagement that have led not only to countless mutually-beneficial cooperatives but also to the Essential Air Service regulatory compliance in each community that Southern currently serves.

Southern's first flight departed from Memphis, Tennessee, in June of 2013. Launching with just two airplanes and three pilots, Southern would grow to have a respected regional presence in the Gulf South. Just a short time later, as the airline was looking for an expansion opportunity, a commuter airline with Essential Air Service contracts in the mid-Atlantic became available

for acquisition. On February 29, 2016, Southern acquired Sun Air Express. Throughout that year, Southern worked closely with those incumbent EAS communities to facilitate rebranding and to renew the contracts for another bid cycle. In the process, Southern gained additional EAS contracts in the region and also in the State of Arkansas.

With Southern's Essential Air Service markets receiving near-perfect completion rates and passenger counts growing to record levels, the opportunity to make an acquisition and solidify the brand in the commuter marketplace presented itself once again. Mokulele Airlines in Hawai'i was very similar to Southern. Each airline had roughly the same number of employees and flew the same number of daily flights, but what was most compatible with Southern was the synergy of the aircraft type. Both airlines operated the reliable, efficient, and proven Cessna Caravan. The combination of the two companies in 2019 was a perfect fit. With this acquisition, Southern has become one of the largest and most-respected commuter airlines in the country.

Spring 2016: Southern doubles in size

Winter 2017: Southern doubles in size

Winter 2019: Southern doubles in size



*“Voted as the
best Specialty &
Leisure Airline in
the USA”*

— Trip Advisor, April 2019



SOUTHERN'S PROVEN MODEL

Southern Airways subscribes to the business model that success in modern aviation comes from scale. A carrier cannot provide consistent and reliable service to one or two cities in a regional footprint. It needs multiple aircraft, dozens of pilots, and full support service to be able to handle the daily operational issues that come with operating an airline.

Southern is committed to consistent, targeted, and sustained growth while focusing on its primary regional footprints. Bringing more scale to each of these regions will ensure greater consistency and reliability. Despite the allure of some destinations which are hundreds or thousands of miles away from Southern's footprints, the airline realizes that reliable and quality service cannot be guaranteed without nearby and numerous planes and pilots.

ABOUT THE SOUTHERN AIRCRAFT

Having multiple models of aircraft allows for Southern to customize the flight solutions based on the needs of the community. With the Cessna

Grand Caravan, Southern has demonstrated the ability to offer record-setting passenger counts across many of its cities. Southern's Hawai'i brand, Mokulele Airlines, has used the Pilatus PC-12 on many specialty routes that required higher speed and pressurization.

For Ironwood/Ashland, Southern is proposing all flights be operated on the KingAir 200. Ironwood is a community that should be served by a proven twin-engine aircraft that can better handle the often harsh seasonal weather.

Like the Caravan, the Beechcraft KingAir has been a workhorse of the industry for over thirty years. And unlike the Piaggio and Cessna 402, it is still in production – making parts and expertise readily available. Both the Caravan and the KingAir are powered by the versatile and proven Pratt & Whitney PT6A turbine engine, the engine of choice for demanding, high-cycle/high-power applications.



Southern Solves The National Pilot Shortage

Entire aircraft fleets have been retired in the past decade, and many American carriers have ceased operations as a direct and proximate result of not being able to recruit and retain adequate numbers of crew members.

Southern recognized this issue early and began taking steps to position itself to stay ahead of the competition.

Southern's Chairman served as a member of the Department of Transportation Working Group to study ways to address these issues and to help alleviate the problems related to rural air service.

Since that time, Southern has implemented groundbreaking programs to recruit and retain quality pilots, including the *Southern Senior Pilot Leadership Program* and the *Southern Airways Pilot Cadet Program*. In addition, Southern has a full-time recruiting staff dedicated to bringing the "best and the brightest" to Southern Airways. The pilot corps numbers are among the best in the industry and promise a very positive 2020 and beyond.

As demonstrated by Southern's industry-leading controllable completion rates, since November of 2017, Southern has rarely cancelled a flight due to crew availability.

Now that the COVID pandemic has subsided and travel has rebounded, a pilot hiring frenzy is taking place at all the major carriers and regional airlines. Southern's pilot recruiting and retention strategies have insulated our airline from the adverse effects of the recent pilot shortage trends. Since January, Southern has trained nearly 80 new pilots—keeping us properly staffed for the months and years to come. Southern is the only carrier bidding in Ironwood that has a fully-developed pilot pipeline which has kept us 100% staffed since November 2017. Our June class of 20 new pilots had over 300 applicants— so we're able to select the best and brightest.



FACEBOOK.COM/IFLYSOUTHERN



INSTAGRAM.COM/FLYSOUTHERN



PINTEREST.COM/IFLYSOUTHERN



TWITTER.COM/IFLYSOUTHERN



YOUTUBE.COM/USER/IFLYSOUTHERN

*Every Passenger,
Every Flight,
Every Day*



*Southern's Spokes-singer
Sonny McFly performs
the airline's jingle in
its television and radio
commercials as well
entertaining at live
events in communities
served by Southern*

Sonny McFly

Southern Airways

By the Numbers

222 Daily Departures

30,000 Monthly Passengers

510 Employees

225 Pilots

35 Aircraft

38
Amazing Destinations

IN THE GULF:

Destin, Fla.

Harrison, Ark.

Palm Beach, Fla.

El Dorado, Ark.

Hot Springs, Ark.

Tampa, Fla.

IN CALIFORNIA:

Imperial/El Centro

IN THE ROCKIES:

Chadron, Neb.

IN HAWAII:

Hana

Kapalua

Kona

Molokai

Hilo

Kalaupapa

Lānaʻi City

Waimea-Kohala

IN THE MID-ATLANTIC:

Bradford, Penn.

DuBois, Penn.

Lancaster, Penn.

Morgantown, W.Va.

IN NEW ENGLAND

Boston/Hanscom, Mass.

Boston/Norwood, Mass.

New Bedford, Mass.

Providence, R.I.

IN NEW YORK

East Hampton

Montauk

Shelter Island

11 HUB/FOCUS CITIES:

Baltimore

Dallas

Denver

Honolulu

Kahului

Los Angeles

Memphis

Nantucket

New York City

Pittsburgh

Washington-Dulles



Morgantown, W.Va.

ALL MAJOR DISTRIBUTION CHANNELS

Southern invests a considerable portion of its marketing budget to promote its service to traditional travel agents and to internet shoppers who purchase tickets through online travel agencies.

MAJOR GLOBAL DISTRIBUTION SYSTEMS:

Sabre
Amadeus
Worldspan
Galileo
Travelport
Apollo

MAJOR ONLINE TRAVEL AGENCY WEBSITES:

Expedia
Travelocity
Orbitz
Kayak
Priceline
Cheaptickets

amadeus

Sabre

Travelport 

KAYAK

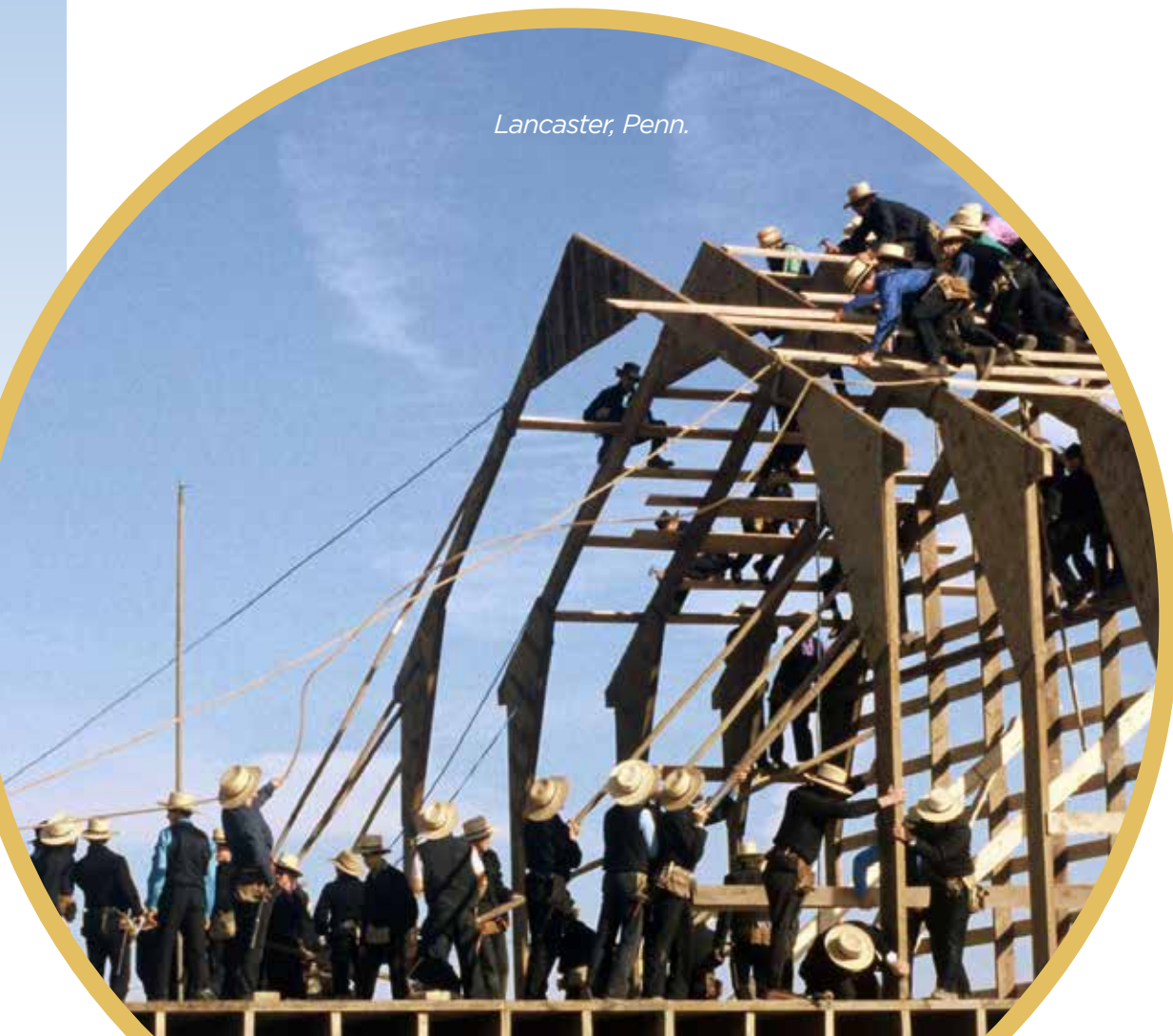
ORBITZ

priceline.com

 Expedia


travelocity

Lancaster, Penn.



Southern's interline partners American, Alaska, and United.

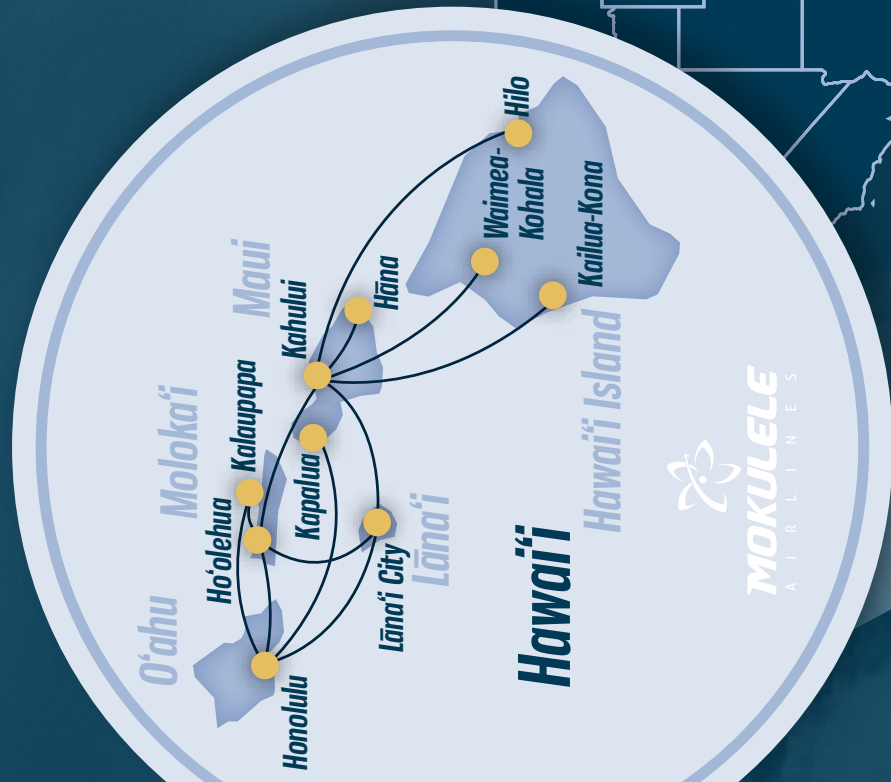
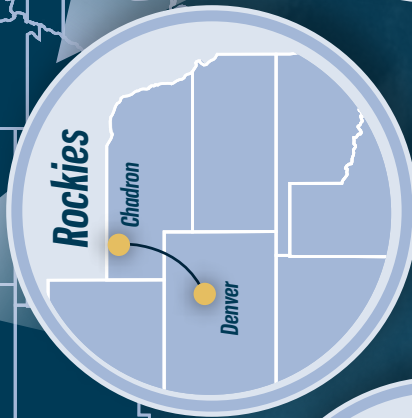
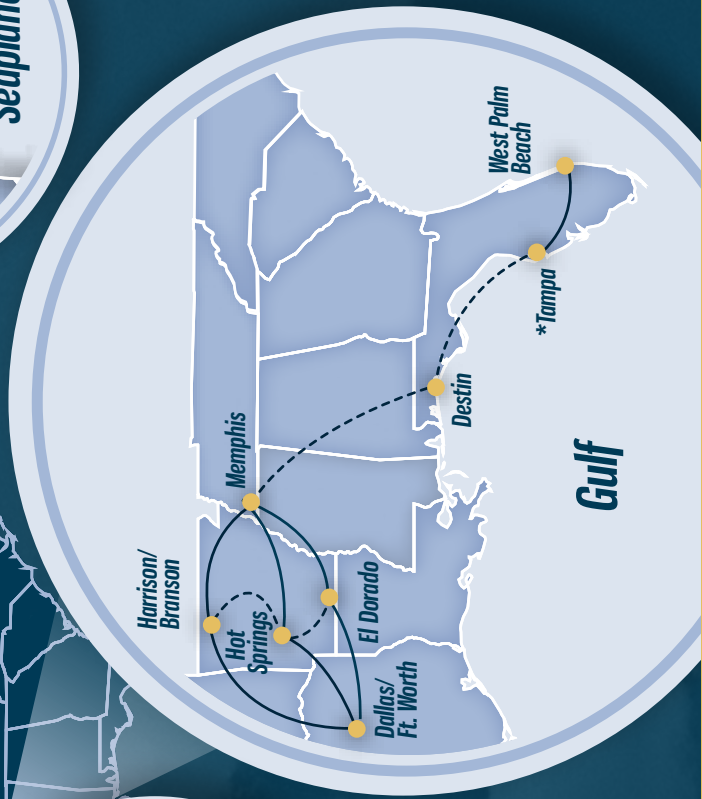
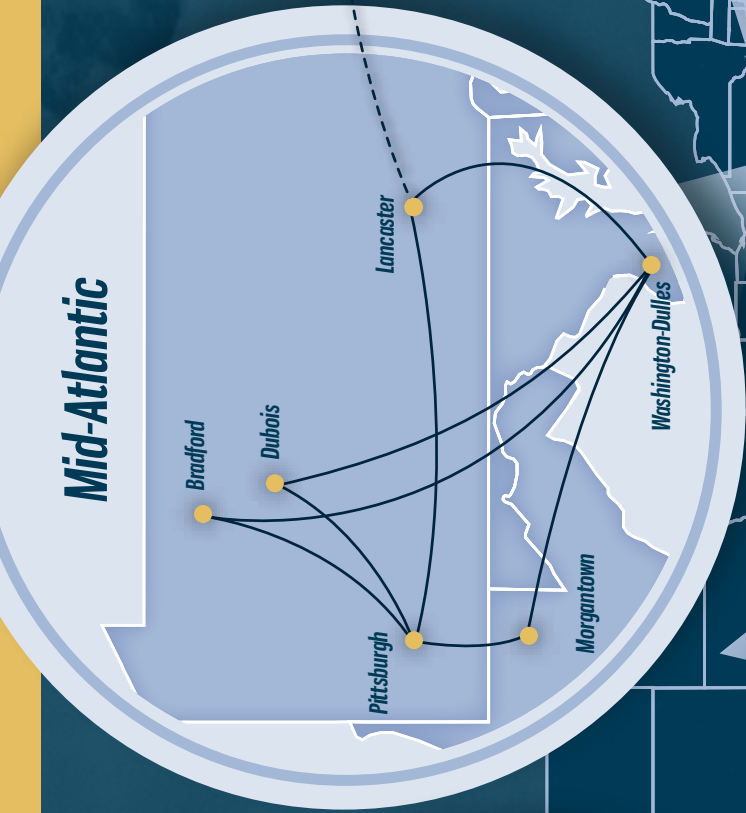
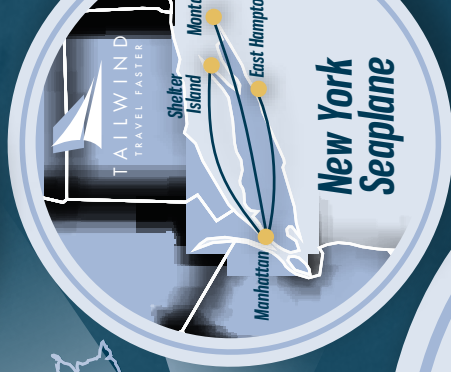
Southern is interline partners with three major airlines. This means seamless ticketing and baggage connections to and from your final destination.

American Airlines 

Alaska®

UNITED 





Route Map

Now serving 36 cities with over 200 daily departures!

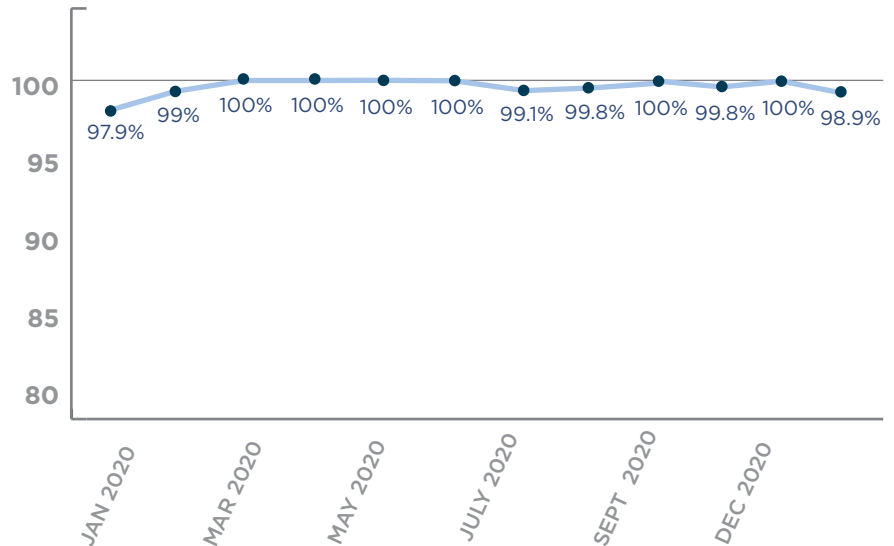
MAP KEY

Weekend -----
 * (Service begins September 7, 2021)

Consistency in the Marketplace

Southern has been one of the top-performing EAS airlines in the country with controllable completion rates setting the industry standard. Further, Southern does not compare it's on-time performance against other commuter airlines. Instead, Southern compares its operational statistics against the biggest and best in the industry. Both airlines operated by Southern Airways Corporation have been industry leaders in these categories.

2020 EAS CONTROLLABLE COMPLETION



Hot off the Press!



Southern was recently featured in the international magazine Airliner World!

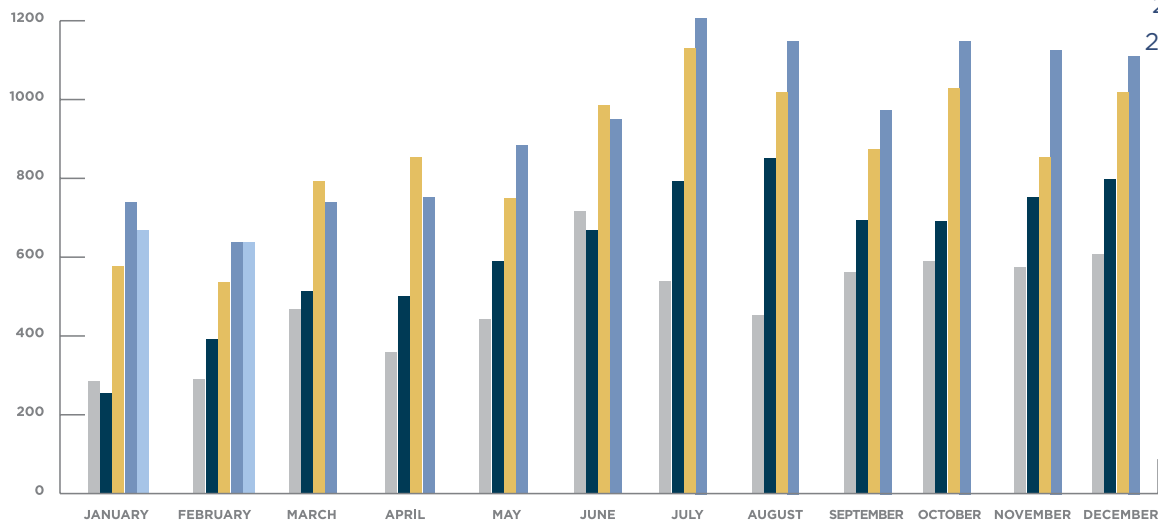
Southern's new in-flight magazine, Cloud 9, hit the sky in November 2020!

Did you know?

Despite having multiple proposals for regional jet service, every Arkansas city selected to stay with Southern for another two years!

SOUTHERN SEES SIX CONSECUTIVE RECORD-SETTING MONTHS IN DUBOIS JULY 2019-DECEMBER 2019

2016-SILVER AIRWAYS
2017-SOUTHERN
2018-SOUTHERN
2019-SOUTHERN
2020-SOUTHERN



DUBOIS, PA 2019 Highest passenger counts in eight years.

ADDITIONAL ACCOMPLISHMENTS

HARRISON, AR 2018, Over 10,000 passengers for only the third time in the last two decades.

BRADFORD, PA 2016 & 2019; Respectively, the two best enplanement years in the last eleven.

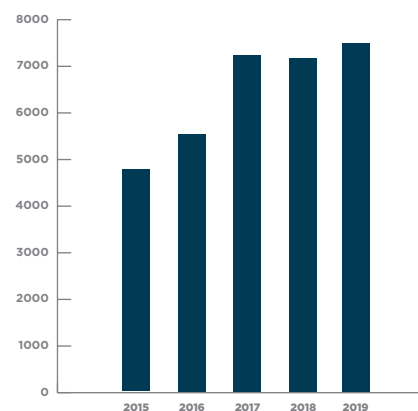
MORGANTOWN, WV Eight consecutive months of record-setting passenger counts for Southern. (July 2019 - February 2020).

EL DORADO, AR 2019, The second-highest number of passengers per departure in the last 15 years.

LANCASTER, PA Fiscal Year 2019, The lowest subsidy-per-passenger in five years.

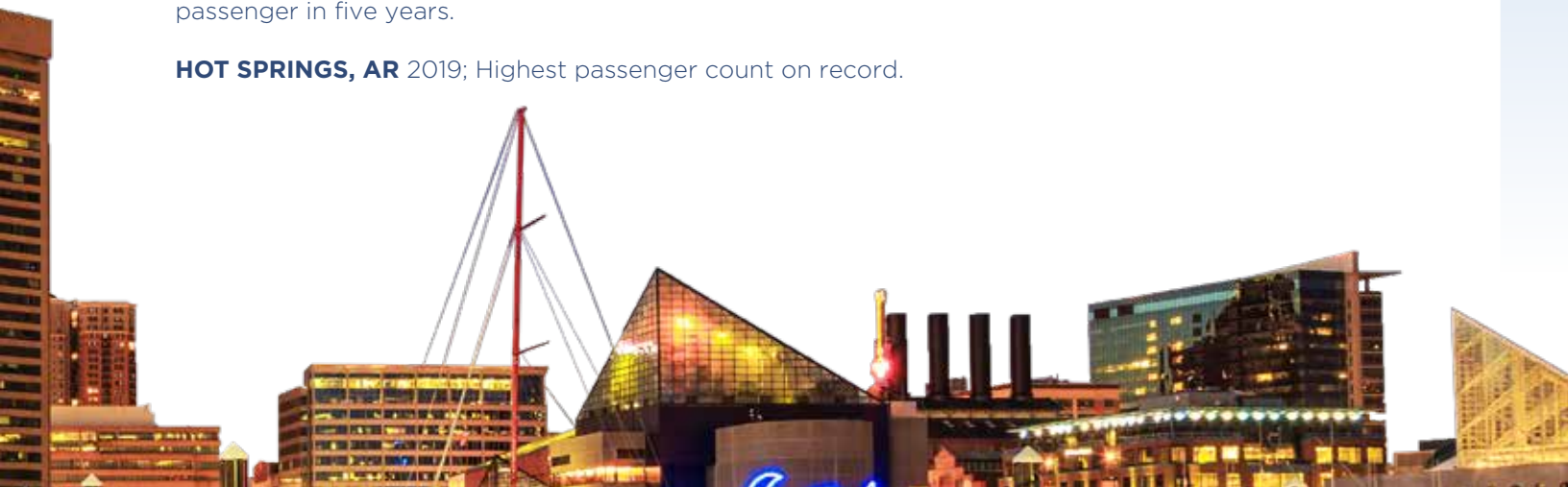
HOT SPRINGS, AR 2019; Highest passenger count on record.

TOTAL ALTOONA PASSENGERS 2014-2019



ALTOONA, PA

Highest passenger count since 2011.



Becoming the Best Small Airline in America

Southern Airways is the fastest growing airline in America. This explosive rate-of-growth is attributed to many factors. Below are a few of the improvements that Southern has made over the past few years that has positioned the airline to become “The Best Small Airline In America.”

- Southern has secured American, Alaska, and United Airlines.
- Southern innovated one of the most robust pilot recruiting programs in the country. As a result of two full years of pilot recruiting, training, and retention Southern is now poised to provide reliable service well into the next decade.
- Southern developed SIREN, a proprietary software program that automatically updates passengers of delays by text, email, and voice.
- Southern moved its crew-basing away from the hubs, an involved process that included the recruiting of new pilots wishing to live in smaller communities. Now completed, this move guarantees the originating flight to the hubs and the terminating flight into the EAS communities every day.
- Southern upgraded the Sun Air piston-driven fleet to an all-turbine fleet featuring the roomy and reliable Cessna Caravan.
- Southern implemented online check-in.
- Southern has upgraded all outdated arrival and departure boards at the hometown airports to digital monitors that are updated throughout the day with flight status information.
- In Fiscal Year 2019, Southern brought all of its EAS airports into subsidy compliance.
- Southern joined TSA PreCheck.
- Southern pioneered a passenger intercept data collection and reporting system to provide the local airports and their governing boards with passenger demographic data, including passengers’ home ZIP codes and final destinations.
- Southern increased its call center and customer service center to 24 hours per day.



SOUTHERN: The Airline for Your Community



1. Mississippi State fans ringing cowbells on the Southern Airways MD-80 charter to Miami for the Orange Bowl!

2. One of Southern's trademark customer appreciation ramp parties

3. Southern sponsors community events throughout the year

4. Southern engages the local airports, like when we bet the Harrison, Arkansas airport director on the outcome of the 2020 Ole Miss versus Arkansas football game...and lost! Southern paid up with \$5.00 tickets



ExpressPass

CARECONNECTOR

**COMMUNITY
CONNECTOR**

CampusConnection

ENPLANEMENT INITIATIVES

Southern Airways has developed a number of proprietary business development and enplanement initiatives that can be customized to each marketplace. Many of these programs have already been launched across the Southern system. Full implementation of the Initiative Suite will happen in early 2019 in all Southern Airways markets.



Fueling the Local Economy



Southern is committed to being a good airport partner and an asset to not just the aviation community, but to the entire area as a whole. To this extent, Southern pledges to purchase as much competitively priced fuel in its hometown airports as weight and balance restrictions allow.

From a finance prospective, Southern's obligation as the EAS provider must be to operate as cost effectively as possible in an effort to manage the subsidy. If while doing so, Southern can also purchase fuel in the out-stations, then both the airline, and the local community benefit.

AS THE FOLLOWING BIDS ARE BEING REVIEWED, PLEASE CONSIDER:

Southern's commitment to reliable service and long-term sustainability is evidenced by its commitments to the hometown airports. Through solving problems related to the National Pilot Shortage, creating interline partnerships, and providing consistent executive level "boots on the ground," Southern's developed a strong platform for growth in all of its communities.

Southern Airways Express believes that its proposal will provide an unsurpassed level of service, grow enplanements, seamlessly connect passengers to the world's transportation infrastructure, and provide the local community with a sustainable airline partner for both the local passengers and the visitors traveling to the community. Southern further believes that it is the right partner to deliver the above benefits while also maintaining compliance with all Department of Transportation requirements for continued participation in the Essential Air Service program.

We respectfully submit this bid, which is consistent to the service the community currently receives.

R. Stan Little Jr.

Chairman & Chief Executive Officer
Southern Airways Express, LLC



SCHEDULE:

Upon the community’s selection of the preferred option, Southern will work with local officials to develop an optimized flight schedule.

STATUS	VENDOR	VENDOR	PROJECTED SPEND
Proposed	Local Newspaper	Newspaper	\$6,000
Proposed	Television	Cable/Broadcast	\$8,000
Proposed	Local Radio	Radio	\$10,000
Proposed	Enhanced Digital	Digital	\$6,000
Proposed	Community Sponsorships	Chamber, CVB, Etc	\$12,000
Proposed	Customer Appreciation Party	Live Airport Event	\$8,000
Total			\$50,000

(Southern is committed to \$50,000 of annual advertising spend until enplanement goals are met.)

Ironwood Proposal

	OPTION A KINGAIR	OPTION B KINGAIR	OPTION C C-208
Weekly Round Trips			
IWD-MSP	-	6	6
IWD-ORD	18	12	12
Total	18	18	18
Operating Revenues			
IWD-MSP	\$0	\$220,261	\$220,261
IWD-ORD	\$892,500	\$595,323	\$595,323
Total Operating Revenues	\$892,500	\$815,584	\$815,584
Operating Expenses			
Local Airport Costs and Fees	\$301,266	\$301,266	\$301,266
Flying Operations	\$1,646,098	\$1,414,865	\$1,495,845
Fuel and Into Plane	\$1,500,232	\$1,109,791	\$950,209
Maintenance	\$860,750	\$760,463	\$725,638
Aircraft	\$618,000	\$618,000	\$623,500
Indirect	\$359,361	\$353,346	\$352,345
Total Operating Expenses	\$5,285,707	\$4,557,730	\$4,448,803
Operating Loss	\$4,393,207	\$3,742,147	\$3,633,220
Profit Element (5%)	\$264,285	\$227,887	\$222,440

COMPENSATION REQUIRED	\$4,657,492	\$3,970,033	\$3,855,660
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Compensation per Pax	\$444	\$378	\$367
Compensation per Departure	\$2,526	\$2,153	\$2,091

Annual Seats	16,596	16,596	16,596
Annual Passengers	10,500	10,500	10,500
Load Factor	63%	63%	63%
Departures	1,844	1,844	1,844
Average Fare	\$85	\$78	\$78
Completion Factor	98.50%	98.50%	98.50%

Compensation Required Year 1	\$4,657,492	\$3,970,033	\$3,855,660
Compensation Required Year 2	\$4,797,217	\$4,089,134	\$3,971,329